

Message Text

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ACTION EB-08

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E.O. 11652: N/A
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SUBJ: ETHIOPIAN COFFEE SITUATION

REF: ADDIS ABABA 1642

1. SUMMARY: EXPORTS IN FIRST NINE MONTHS OF CURRENT COFFEE YEAR HAVE SURPASSED EXPORTS FOR SAME PERIOD IN PRIOR YEAR, BUT LOWER SALES PRICES HAVE RESULTED IN DECREASED FOREIGN EXCHANGE EARNINGS. SALES TO EASTERN EUROPE INCREASED, WHILE SALES TO THE U.S. MARKET ARE BELIEVED TO HAVE REMAINED ABOVE 50 PERCENT OF THE TOTAL. PRODUCER RESISTANCE TO FALLING PRICES EXPECTED TO KEEP EXPORTS DOWN DURING REMAINDER OF COFFEE YEAR. END SUMMARY.

2. UNOFFICIAL STATISTICS INDICATE THAT COFFEE EXPORTS FROM ETHIOPIA DURING THE FIRST NINE MONTHS (OCTOBER 1 - JULY 1) OF THE CURRENT COFFEE YEAR TOTALED SOME 53,000 MT, COMPARED TO ABOUT 40,000 MT DURING THE SAME PERIOD IN 1976/77. DESPITE THE LARGER QUANTITY OF COFFEE EXPORTED, FOREIGN EXCHANGE EARNINGS DROPPED AN ESTIMATED US \$70 MILLION. (BASED UPON AN ESTIMATED AVERAGE SALES PRICE OF US \$1.50 PER POUND
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IN THE CURRENT COFFEE YEAR VS A TOTAL GOVERNMENT FIGURE OF APPROXIMATELY US \$245 MILLION FOR THE SAME PERIOD IN 1976/77).

3. TOTAL SALES NEGOTIATED THROUGH JULY 7 ARE ABOUT 60,000 MT. ALTHOUGH NEARLY THREE MONTHS REMAIN IN THE CURRENT COFFEE YEAR, EXPORTS FOR THE ENTIRE YEAR ARE

NOT EXPECTED TO BE MUCH ABOVE 65 - 70,000 MT. THE SLOWDOWN IN EXPORTS, WHICH HAS ALREADY BEGUN, IS DUE TO PRODUCERS' RESISTANCE TO FALLING PRICES. LATEST SALES TO EUROPE (7/12) WERE AT US \$1.36/LB., WHILE A QUOTATION OF US \$1.32/LB. (7/12) TO U.S. BUYERS WAS NOT ACCEPTED.

4. COFFEE EXPORTS TO EASTERN EUROPE HAVE BEEN HANDLED BY THE GOVERNMENT COFFEE BOARD. INDUSTRY SOURCES INDICATED OVER 10,000 MT HAVE ALREADY BEEN EXPORTED TO EASTERN EUROPE, PRIMARILY TO EAST GERMANY. THE TOTAL MAY REACH NEARLY 20,000 MT FOR THE ENTIRE 1977/78 COFFEE YEAR. PRICES PAID BY THE EAST GERMANS REPORTEDLY HAVE BEEN ALMOST 20 PERCENT ABOVE WORLD MARKET RATES. (NO REASONS FOR THIS LARGESS, IF TRUE, HAVE YET BEEN FATHOMED.)

5. THE EXPORT OF COFFEE CONTINUES TO BE GIVEN A HIGH PRIORITY BY THE PMGSE. THUS FAR THE REOPENED DJIBOUTI-ADDIS ABABA RAIL LINK HAS NOT BEEN UTILIZED BY THE COFFEE EXPORTERS, AND THE CONGESTED ASSAB REMAINS THE ONLY SHIPPING PORT IN ETHIOPIA. COFFEE SHIPMENTS CONTINUE TO RECEIVE PREFERENTIAL HANDLING AS ASSAB. TO FURTHER ENHANCE COFFEE EXPORTS, THE PMGSE HAS PRESSURED THE VARIOUS EXPORTING FIRMS TO PURCHASE A TOTAL OF 50 TRUCKS AND TRAILERS (AT A COST OF ABOUT LIMITED OFFICIAL USE

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US \$80-85,000 FOR EACH DOUBLE UNIT), TO BE USED EXCLUSIVELY TO HAUL COFFEE.

6. ALTHOUGH COFFEE PRICES SEEM TO BE ON A STRONG DOWNWARD TREND, THERE IS AT LEAST ONE VOICE THAT THINKS THIS MAY NOT CONTINUE MUCH LONGER. ONE OF THE LARGEST EUROPEAN ROASTERS, ACCORDING TO A PROMINENT LOCAL EXPORTING FIRM, NOTED THAT THE ROASTERS' STOCKS ARE EXTREMELY LOW, AND THAT THEIR ENTRY INTO THE MARKET WILL TEND TO BOLSTER SAGGING PRICES. HE EXPECTS THIS INFLUENCE TO BE FELT WITHIN THE NEXT TWO MONTHS.
CHAPIN

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